

**JACKSON
DOWNTOWN DEVELOPMENT
AUTHORITY**

Basic Financial Statements

For The Year Ended June 30, 2004

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name Jackson Downtown Development Authority	County Jackson
Audit Date June 30, 2004	Opinion Date October 8, 2004	Date Accountant Report Submitted to State: December 1, 2004	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

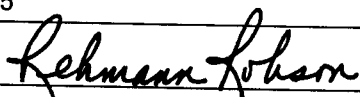
1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- | | |
|---|---|
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			X
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) REHMANN ROBSON GERALD J. DESLOOVER, CPA			
Street Address 5800 GRATIOT, PO BOX 2025	City SAGINAW	State MI	Zip 48605
Accountant Signature 			

JACKSON DOWNTOWN DEVELOPMENT AUTHORITY

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REHMANN ROBSON

Certified Public Accountants

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INDEPENDENT AUDITORS' REPORT

October 8, 2004

To the Board of Directors of the
Jackson Downtown Development Authority
City of Jackson, Michigan

We have audited the accompanying financial statements of the governmental activities and the major fund of the *Jackson Downtown Development Authority (the "Authority")*, a component unit of the City of Jackson, as of and for the year ended June 30, 2004, which collectively comprise the Authority's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the management of the Jackson Downtown Development Authority. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Jackson Downtown Development Authority as of June 30, 2004, and the respective changes in its financial position thereof and the budgetary comparison for the General Fund for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The Authority has not presented Management's Discussion and Analysis (MD&A) as required supplementary information that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be, part of the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 8, 2004, on our consideration of the Jackson Downtown Development Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

**BASIC FINANCIAL
STATEMENTS**

JACKSON DOWNTOWN DEVELOPMENT AUTHORITY

STATEMENT OF NET ASSETS AND GOVERNMENTAL FUND BALANCE SHEET

JUNE 30, 2004

<u>ASSETS</u>	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Net Assets</u>
Assets			
Cash and cash equivalents	\$ 147,175	\$ -	\$ 147,175
Accounts receivable	15,000	-	15,000
Total assets	<u><u>\$ 162,175</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 162,175</u></u>
 <u>LIABILITIES AND FUND BALANCE</u>			
Liabilities			
Accounts payable	\$ 10,198	\$ -	\$ 10,198
Fund balance			
Unreserved - designated for future operations	712	(712)	-
Unreserved - undesignated	151,265	(151,265)	-
Total fund balance	151,977	(151,977)	-
Total liabilities and fund balance	<u><u>\$ 162,175</u></u>		
 Net assets - Unrestricted		<u><u>\$ 151,977</u></u>	<u><u>\$ 151,977</u></u>

The accompanying notes are an integral part of these financial statements.

JACKSON DOWNTOWN DEVELOPMENT AUTHORITY

STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

FOR THE YEAR ENDED JUNE 30, 2004

	General Fund Actual	Adjustments	Statement of Activities
Revenues			
Property taxes	\$ 86,842	\$ -	\$ 86,842
State shared revenue - inventory tax reimbursement	6,347	-	6,347
Interest	1,662	-	1,662
Events contributions	35,772	-	35,772
Contribution from City of Jackson	-	37,800	37,800
Total revenues	130,623	37,800	168,423
Expenditures/expenses			
Advertising and promotions	7,189	-	7,189
Contractual services	79,037	-	79,037
Office supplies	2,476	-	2,476
Office equipment repair/replacement	2,158	-	2,158
Accounting and auditing	4,110	-	4,110
Telephone	2,445	-	2,445
Memberships, dues and fees	1,170	-	1,170
Publications and subscriptions	738	-	738
Conferences and travel	3,168	-	3,168
Special projects	34,000	-	34,000
Programs	41,499	-	41,499
Miscellaneous	970	-	970
Total expenditures/expenses	178,960	-	178,960
Excess of revenues over (under) expenditures	(48,337)	37,800	(10,537)
Other financing sources:			
Transfer In -			
General Fund - City of Jackson	37,800	(37,800)	-
Net change in fund balances	(10,537)	10,537	
Change in net assets	-	(10,537)	(10,537)
Fund balance/net assets			
Beginning of year	162,514	-	162,514
End of year	\$ 151,977	\$ -	\$ 151,977

The accompanying notes are an integral part of these financial statements.

JACKSON DOWNTOWN DEVELOPMENT AUTHORITY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2004

(With Comparative Actual Amounts for the Year Ended June 30, 2003)

	June 30, 2004				June 30, 2003 Actual
	Original Budget	Amended Budget	Actual	Over (Under) Budget	
Revenues					
Property taxes	\$ 92,825	\$ 92,825	\$ 86,842	\$ (5,983)	\$ 89,028
State shared revenue - inventory tax reimbursement	6,347	6,347	6,347	-	6,347
Interest	2,500	1,669	1,662	(7)	2,240
Events contributions	34,000	39,652	35,772	(3,880)	71,229
Total revenues	135,672	140,493	130,623	(9,870)	168,844
Expenditures					
Advertising and promotions	9,300	9,300	7,189	(2,111)	9,193
Contractual services	92,235	84,595	79,037	(5,558)	79,373
Office supplies	2,500	2,500	2,476	(24)	2,486
Office equipment repair/replacement	2,500	2,500	2,158	(342)	3,498
Accounting and auditing	3,000	4,200	4,110	(90)	3,150
Telephone	4,000	4,000	2,445	(1,555)	3,634
Memberships, dues and fees	1,500	1,500	1,170	(330)	1,467
Publications and subscriptions	800	800	738	(62)	847
Conferences and travel	4,000	4,000	3,168	(832)	3,586
Special projects	3,000	38,000	34,000	(4,000)	47,256
Programs	34,000	42,300	41,499	(801)	38,797
Contingency	-	-	-	-	-
Miscellaneous	1,250	1,250	970	(280)	1,579
Total expenditures	158,085	194,945	178,960	(15,985)	194,866
Excess of revenues over (under) expenditures	(22,413)	(54,452)	(48,337)	6,115	(26,022)
Other financing sources:					
Transfer In - General Fund	37,800	37,800	37,800	-	47,800
Revenues over (under) expenditures and other financing sources	15,387	(16,652)	(10,537)	6,115	21,778
Fund balance					
Beginning of year	162,514	162,514	162,514	-	140,736
End of year	\$ 177,901	\$ 145,862	\$ 151,977	\$ 6,115	\$ 162,514

The accompanying notes are an integral part of these financial statements.

JACKSON DOWNTOWN DEVELOPMENT AUTHORITY

Notes To Basic Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Jackson Downtown Development Authority ("Authority") is a Component Unit of the City of Jackson, Michigan ("City"), and is presented as a discrete component unit in the City's financial statements.

Authorized under Act No. 197 Public Acts of 1975, the Authority's purpose is to revitalize the Downtown business district. The Authority operates under the supervision of a Board of Directors (appointed by the City Commission of the City of Jackson).

The Authority is a component unit of the City of Jackson, Michigan (the "City") because the City appoints the Authority's Board of Directors, it has the ability to significantly influence the Authority's operations and it is financially accountable for the Authority. Accordingly, the Authority is presented as a discrete component unit in the City's financial statements and is an integral part of that reporting entity.

Government-wide and Fund Financial Statements – As permitted by GASB Statement No. 34, the Authority uses an alternative approach reserved for single program governments to present combined government-wide and fund financial statements by using a columnar format that reconciles individual line items of fund financial data to government-wide data in a separate column. Accordingly, this is presented in the Statement of Net Assets and Governmental Fund Balance Sheet and the Statement of Activities and Governmental Fund Revenues, Expenditures and Changes in Fund Balances. The major individual governmental fund is reported as a separate column in the aforementioned financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation – The component-wide financial information is reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied.

JACKSON DOWNTOWN DEVELOPMENT AUTHORITY

Notes To Basic Financial Statements

Governmental fund financial information is reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Authority considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Property taxes, intergovernmental revenues, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The Authority reports the *general fund* as the Authority's primary operating fund. It accounts for all financial resources of the Authority, except those, if any, required to be accounted for in another fund.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989 generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the GASB.

Generally, the effect of interfund activity has been eliminated from the government-wide financial statements.

Fund Equity – In the fund financial statements, the governmental fund reports designations of fund balance for amounts that represent tentative management plans that are subject to change.

Budgetary Information – The general fund is under formal budgetary control and its budget is prepared on the same modified accrual basis used to reflect actual results. In the body of the financial statements, the Authority's actual expenditures and budgeted expenditures are shown on a natural classification basis, and the budgets are adopted and amended at the fund level.

JACKSON DOWNTOWN DEVELOPMENT AUTHORITY

Notes To Basic Financial Statements

2. CASH AND EQUITY IN POOLED CASH AND INVESTMENTS

Deposits are classified as follows:

Petty cash	\$ 100
Deposits	<u>147,075</u>
	<u>\$147,175</u>

All accounts are in the name of the Downtown Development Authority. They are recorded in Authority records at cost. Interest is recorded when deposits mature or is credited to the applicable account.

Statutory Authority

The Authority is authorized by Michigan law to invest surplus funds in the following:

- Bonds, securities, other obligations and repurchase agreements of the United States, or an agency or instrumentality of the United States.
- Certificates of deposit, savings accounts, deposit accounts or depository receipts of a qualified financial institution.
- Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.
- Bankers acceptances of United States banks.
- Obligations of the State of Michigan and its political subdivisions that, at the time of purchase are rated as investment grade by at least one standard rating service.
- Mutual funds registered under the Investment Company Act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.

JACKSON DOWNTOWN DEVELOPMENT AUTHORITY

Notes To Basic Financial Statements

- External investment pools as authorized by Public Act 20 as amended through December 31, 1997.

Cash and cash equivalents are in accordance with statutory authority.

At year end, the carrying amount of the Authority's deposits was \$147,075. The bank balance of these deposits was \$162,081, of which \$147,279 was insured by the Federal Depository Insurance Corporation (FDIC), and the balance of \$14,802 was uninsured and uncollateralized.

3. PROPERTY TAXES

Property taxes for the Authority are levied each July 1, based on the assessed valuation of property located in the City of Jackson, as of the preceding December 31, the lien date. Property taxes are due on July 20, and are recognized in the fiscal year in which they are levied. The Authority levied property taxes of two mills for the year ended June 30, 2004.

4. ADJUSTMENT

Following is an explanation of the adjustments between the governmental funds statement of revenues, expenditures and changes in fund balances and the government-wide statement of activities, which reconciles the net change in fund balances to the change in net assets:

Net change in fund balances	\$ (10,537)
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Adjustments:

Amount paid to other City of Jackson funds for the Authority share of construction costs and debt service requirements. For the statement of activities, other financial sources are eliminated and is reclassified as contributions:

Transfer from the City of Jackson	(37,800)
Contributions from the City of Jackson	<u>37,800</u>

Change in net assets

\$ (10,537)

* * * * *



REHMANN ROBSON

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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON
INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

October 8, 2004

To the Board of Directors
Jackson Downtown Development Authority
City of Jackson, Michigan

We have audited the financial statements of **JACKSON DOWNTOWN DEVELOPMENT AUTHORITY, A Component Unit of the City of Jackson**, as of and for the year ended June 30, 2004, and have issued our report thereon dated October 8, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Jackson Downtown Development Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Jackson Downtown Development Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected with a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management, the Board of Directors and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

Rehmann Robson